MANITOBA LIQUOR CONTROL COMMISSION

83rd ANNUAL REPORT

FOR THE FISCAL YEAR APRIL 1, 2005 TO MARCH 31, 2006

2006

STRIVING TO BE THE BEST

MLCC

MLCC

MISSION STATEMENT

To regulate, distribute and sell beverage alcohol, generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality.

CORPORATE VALUES

Social Responsibility	promote responsible sale and consumption of beverage alcohol.
Importance of People	foster a positive workforce by working together as a team towards our common goals.
Integrity and Fairness	develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours.
Service Excellence	provide superior service to our customers, partners and co-workers.
Change	embrace change and encourage our employees to be innovative and creative.

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COMMISSION STRUCTURE

The MLCC's corporate structure is typical of Provincial Crown agencies.

The Board of Commissioners oversees the activities of the Commission. The Board Chair reports to the minister responsible for *The Liquor Control Act*, who, in turn, reports to the Legislative Assembly.

The Licensing Board considers applications for licences and determines the appropriate disciplinary action for breaches of *The Liquor Control Act*. These decisions may be appealed to the Board of Commissioners.

The provincial government appoints all board members. The day-to-day operations of the Commission are the responsibility of the President and Chief Executive Officer who reports to the Board of Commissioners.

BOARD OF COMMISSIONERS

(l to r): Rob Rae, Les Crisostomo, Myrna A. Phillips, Janine Ballingall Scotten, Garry Hammerback, Carmen Neufeld (Chair) Fran Frederickson (Vice-Chair), Maria Moore. Missing: Ed Azure.

LICENSING BOARD

(l to r) Vic Wonnacott (Chair), Dale Neal (Vice-Chair), Les Barrett, Louise Wilson, Cliff Bernhardt

CHAIR'S MESSAGE

On behalf of the Board of Commissioners, I am pleased to present the 83rd Annual Report of the MLCC. This report stands as a record of the MLCC's 2005 – 2006 achievements in our five strategic theme areas – financial; social responsibility; customer service; business effectiveness; and workplace quality.

Financially, Fiscal 2006 was outstanding and we take pride in returning the largest net profit ever to the Provincial Government. Congratulations to the management and staff for their efforts in achieving profits well above budget, while keeping the cost of operations to one of the lowest in Canada.

While our financial success is certainly notable, I am equally as proud of our success in the area of social responsibility. The *Be Undrunk* program, aimed at curbing binge drinking among young adults, went mainstream in 2006 with a highly visible and successful awareness campaign. *Be Undrunk* received international interest and recognition from the health advertising industry and is being adapted for use in other jurisdictions. We also expanded the reach of our *With Child – Without Alcohol* program to high school students. A *Facilitator Resource Kit* was developed as a teaching tool for Senior 1 to 4 levels. The kit was sent out to Manitoba high schools and youth counseling centres with an aim of providing young people with information about alcohol, pregnancy and Fetal Alcohol Spectrum Disorder.

While we are committed to education and awareness on alcohol related issues, we take seriously our responsibility to uphold the laws governing the sale and service of alcohol. Through a combination of responsible server training and risk-based inspections we continue to balance education and enforcement to accomplish this important goal.

In Fiscal 2005, the MLCC committed to developing an initiative to achieve more diversity in the workplace that was reflective of Manitoba's population, with particular emphasis on the Aboriginal population. This past year, the MLCC designed and implemented an Aboriginal Employment Strategy. The strategy consists of recruitment and retention strategies, while seeking opportunities for building relationships with the Aboriginal community.

Like many other organizations, the MLCC is faced with the prospect of a number of senior staff retirements within the next few years. A comprehensive succession planning strategy was developed to identify, assess and develop employee talent to ensure leadership continuity in key positions throughout the organization. We were pleased to be recognized by the Human Resource Management Association of Manitoba with a 2006 Excellence in Leadership – Silver Award!

Part of good governance is ensuring that all levels of an organization are clear on their goals and objectives and have the right tools to get the job done. The MLCC continues to demonstrate its ability to not only meet its targets but to exceed them.

Thank you to the management team and all employees for your continued commitment to the people of Manitoba. Thanks to our customers whose feedback on customer service and product knowledge has clearly shown that they appreciate the changes we have made. I look forward to the year ahead as we take another step closer to the goal of making the MLCC the best liquor jurisdiction in Canada!

Carmen Neufeld
Chair, Board of Comissioners

PRESIDENT'S MESSAGE

STRIVING TO BE THE BEST

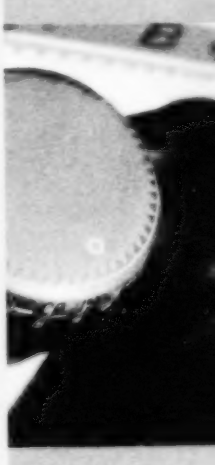
I am very pleased to report the MLCC returned $196.2 million to the provincial government and the people of Manitoba in Fiscal 2006. This represents a six percent increase over our Fiscal 2005 profits and reflects the MLCC's ongoing commitment to be the best liquor jurisdiction in Canada.

What does $196.2 million mean to Manitobans? Generally speaking, every Friday, the MLCC deposits its profit directly into the Provincial Government treasury. This money, in turn, is used to support government programming in health care, education, as well as community and social services. To put it in perspective, $196.2 million could fund the annual operating expenses of four community hospitals!

While this is by far our best year to date, we measure our success not only by the strength of our sales, but by the strength of our workforce. We continue to invest in our employees through various training programs in customer service, product knowledge and social responsibility. In addition, we have made tremendous investments in our technology to ensure that employees have the proper tools to do their jobs effectively. Our investments are paying off. Our annual retail customer satisfaction survey tells us that overall customer satisfaction with Liquor Marts is higher than three other major national retail chains. We can take pride in the fact that we are doing all of this while maintaining one of the lowest costs of operations in the country.

Our social responsibility public information programs continue to be a hallmark for the MLCC. This past year, our best efforts in the area of binge drinking prevention resulted in international recognition for our *Be Undrunk* program. We also continued to look for ways to optimize compliance with *The Liquor Control Act* through education and enforcement, and this past year, implemented a risk-based inspection program for licensed establishments.

To be the best means not resting on laurels but looking ahead and planning for the future. This past year we implemented a succession planning program to identify future leaders of our organization. We are confident that through this training and development program our employees will gain the experience and knowledge that will be required to ensure the MLCC's continued success.



Striving to be the best takes excellence at all levels. Thank you to the Board of Commissioners for your vision and for your continued support of our efforts. To the Executive Management team, I would like to express my thanks and appreciation for your tireless efforts throughout the year. Thank you to all the employees at the MLCC for your ongoing enthusiasm, dedication and commitment to our organization.

We can all take pride in the fact that in our efforts to be the best liquor jurisdiction in Canada, we continue to provide the best value to the people of Manitoba.

Don Lussier
President & CEO

MLCC

STRIVING TO BE THE BEST IN:

FINANCIAL PERFORMANCE – $196.2 MILLION!

The MLCC generates revenue for the Government of Manitoba to support provincial programming in education, health care, social services and community projects. Generally, on Friday, the MLCC transfers its net profit to the Government – making it a deposit not only into the provincial treasury, but into the future for all Manitobans.

SOCIAL RESPONSIBILITY

The MLCC believes that beverage alcohol products should be used in moderation. More than that, social responsibility is part of everything we do. Our social responsibility programs address underage consumption of beverage alcohol; Fetal Alcohol Spectrum Disorder (FASD); binge drinking among young adults; non-potable consumption; and drinking and driving awareness for the holiday season and for off-road vehicles. In addition, the MLCC continues to balance education and enforcement to ensure compliance with *The Liquor Control Act*.

CUSTOMER SERVICE

Retail customers consistently rate the MLCC high on friendliness of staff, knowledge of products and prompt assistance. In a customer service survey comparing Liquor Marts with three other national retailers, the MLCC rated #1 in eight out of 11 attributes. The overall level of service satisfaction with Liquor Mart customers? 98%!

BUSINESS EFFECTIVENESS

With annual sales of over $480 million, the MLCC is one of the largest single buyers of beverage alcohol in the world, purchasing product from approximately 1,000 suppliers in 50 countries. Through its Distribution Centre, the MLCC supplies approximately 1,700 customers and annually processes over 63,000 orders. The MLCC is one of the most efficient liquor jurisdictions in the country.

WORKPLACE QUALITY

The MLCC directly employs approximately 750 people at its Winnipeg Head Office and 46 Liquor Marts throughout the province. The MLCC was recognized with a 2006 Excellence in Leadership Silver Award by the Human Resource Management Association of Manitoba for an initiative aimed at developing leadership talent and preparing individuals for key positions throughout the organization. In F06, the MLCC committed to expanding its Distribution Centre by 33,000 sq. ft. to meet growing retail and commercial customer demands.

06

STRATEGIC PLAN REVIEW

THE MLCC'S STRATEGIC PLAN IS COMPRISED OF FIVE STRATEGIC THEME AREAS. THESE AREAS PROVIDE THE BLUEPRINT FOR INCORPORATING THE MISSION STATEMENT AND CORPORATE VALUES INTO OUR DAILY ACTIVITIES AND FORM THE BASIS FOR THE BUSINESS PLAN.

THE FIVE THEME AREAS ARE:
FINANCIAL, SOCIAL RESPONSIBILITY, CUSTOMER SERVICE, BUSINESS EFFECTIVENESS AND WORKPLACE QUALITY.

THE FOLLOWING IS A REVIEW OF THE BUSINESS PLAN AND THE MLCC'S ACCOMPLISHMENTS IN FISCAL 2006.

GOAL:

Continue to be an important contributor to Manitoba's general revenue through the controlled sale of beverage alcohol.

OBJECTIVES:

1) Meet the net profit requirements of the Manitoba government.

2) Exercise control over mark-up rates while maintaining transparency

PERFORMANCE RESULTS:

$196.2 MILLION FOR MANITOBANS

$196.2 Million returned to Manitobans!

Each year, the MLCC creates a budget for what it expects to turn over to the provincial government for the fiscal year. This amount is agreed upon with the government and forms part of the Provincial Budget. In F06, the MLCC exceeded its target of $187.5 million by almost 4.5%!

To achieve its financial objectives, the MLCC sets targets for all sales areas. Sales in Liquor Marts exceeded budget by 3.3%; liquor vendors by 0.2 %; sales to licensees were under budget by 2%, while sales to specialty wine stores exceeded budget by 4.9%.

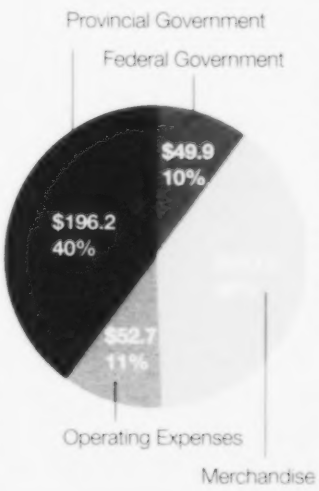
The average retail sale per customer grew from $29.97 in the first quarter to $30.76 in the last quarter of the year. This is consistent with a consumer shift toward premium products. Premium products, targeted to reach a 60% share of market, achieved a 59% share – up almost three points from F05.

These excellent results can be attributed to good weather in both the summer and the fall of 2005. Beer volumes, which normally increase with good summer weather, further increased due to significant reductions in the price of economy beer. Although the volume increase in beer typically means a volume decrease in spirits, this did not happen in F06. Increased advertising by distillers; the promotion of martini-style cocktails by licensees; and more sophisticated consumer tastes led to an increase in spirit volumes. In addition, the MLCC continued to see a shift from economy to premium/deluxe spirits with customers paying more for higher quality products.

The MLCC continued to evaluate and implement markup opportunities to meet its budget target. Package equalization charges were implemented on larger package sizes of wine in the first quarter of F06.

The MLCC continues to monitor prices through a cross-Canada comparison and maintained its mid-range pricing strategy during F06.

Where Does the Money Go?



Additional payments to the Province (in millions)
Retail Sales Tax – $15.8
Environmental Protection Tax – $1.8
Waste Reduction & Prevention Tax – $0.4

Additional payments to the Federal Government (in millions)
Goods and Services Tax – $34.6

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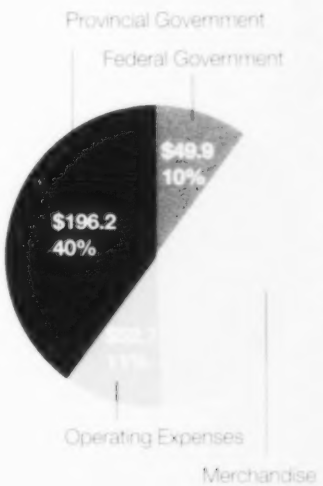

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Environmental Protection Tax – $1.8
Waste Reduction & Prevention Tax – $0.4

Additional payments to the Federal Government (in millions):
Goods and Services Tax – $34.6

The MLCC also budgets and carefully manages its general and administrative expenses. Expenses increased over F05, but less than anticipated. Salary costs continued to represent the largest of such costs and increased as per the Collective Agreement and as a result of labour requirements to support the increase in sales.

PRODUCT $ SALES (IN MILLIONS)

	Beer	Spirits	Wine	Coolers/Ciders
2002	193	154	63	13
2003	199	154	67	15
2004	212	159	72	16
2005	215	164	78	16
2006	**215**	**170**	**87**	**15**

VOLUME SALES (IN MILLIONS OF LITRES)

	Beer	Spirits	Wine	Coolers/Ciders
2002	71.3	6.3	6.7	2.6
2003	70.6	6.3	6.8	2.9
2004	73.1	6.5	7.1	2.9
2005	70.6	6.3	7.4	2.7
2006	**74.2**	**6.4**	**7.7**	**2.6**

CUMULATIVE % PROFIT & VOLUME

PER CAPITA CONSUMPTION (IN LITRES)

	Beer	Spirits	Wine	Coolers/Ciders
2002	82.6	7.3	7.8	3.0
2003	81.6	7.3	7.7	3.4
2004	83.3	7.4	8.1	3.3
2005	79.9	7.1	8.4	3.1
2006	**83.5**	**7.2**	**8.7**	**2.9**

Source: Manitoba Health Population Report based on population over the age of 17 as of June 1 of each year.

PROFIT AND EXPENSE RATIOS (IN THOUSANDS)
FISCAL YEARS ENDING MARCH 31

	2002	2003	2004	2005	2006
Sales	422,604	434,980	459,199	472,134	486,734
Gross Profit	199,140	205,448	218,191	229,842	243,526
Net Profit	163,316	166,347	174,066	185,273	196,238
General and Administrative Expenses	39,938	44,127	45,850	46,706	50,279
Fixed Assets & Depreciation	1,462	2,107	2,432	2,449	2,448
Gross Profit as % of Sales	47.1%	47.2%	47.5%	48.7%	50.0%
Net Profit as % of Sales	38.6%	38.2%	37.9%	39.2%	40.3%
General and Administrative Expenses as % of Sales	9.5%	10.1%	10.0%	9.9%	10.3%

GOAL:

Educate Manitobans on safe consumption and regulate the responsible service of beverage alcohol.

OBJECTIVES:

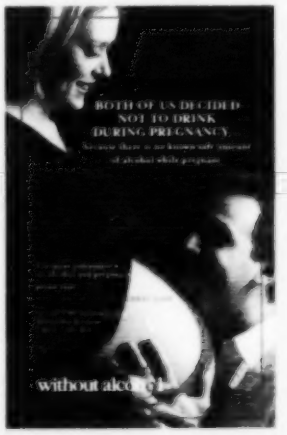
1) Support programs to promote the socially responsible consumption of beverage alcohol, setting aside a minimum of 0.2% of estimated gross profit to fund these programs.

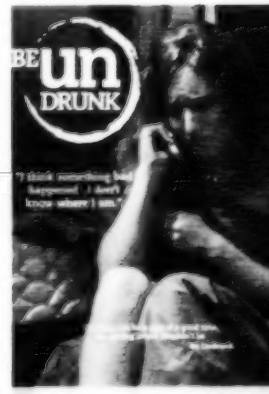
2) Optimize compliance with *The Liquor Control Act*.

PERFORMANACE RESULTS:

The MLCC continued to promote its FASD information program *With Child – Without Alcohol* in F06; expanding the reach of the program to Senior 1 – 4 level high schools. A *Facilitator Resource Kit* for teachers and counselors was distributed to approximately 1,600 high schools and resource centres throughout Manitoba. The information program was supported by an advertising campaign in television, print, and radio.

To address the issue of binge drinking among young adults, the MLCC launched a major public information campaign in F06 to promote the *Be Undrunk* program. Supported by a website, the campaign included an evocative television, radio and print campaign. The program was adopted and launched in the Yukon and interest has been received from the U.S. and Mexico.





The MLCC continued to promote its *Show Your Age* program. This program requires adults 18-24 years of age to provide photo identification when purchasing alcohol from a Liquor Mart, liquor vendor or licensed establishment.

As a member of the Canadian Association of Liquor Jurisdictions (CALJ), the MLCC participated in a national information campaign aimed at users of off-road vehicles. Three seasonal posters were developed; aimed at recreational water vehicles, snowmobiles, and ATV users. The recreational water and snowmobile posters were distributed to related associations for distribution at club houses, provincial parks and boat launch sites.

The MLCC continued to support various safe ride home programs and was a sponsor of the provincial Operation Red Nose program and the RCMP R.I.D.E. program in Dauphin.

As a member of the provincial Responsible Service Committee, the MLCC continued to support and promote the *It's Good Business* responsible service program and participated in the development of the *It's Good Business PLUS* program, aimed at security personnel in licensed premises.

Licensing & Inspection continued to balance education and enforcement of licensed premises to ensure compliance with *The Liquor Control Act*. Liquor inspectors conducted 23,550 inspections of licensed premises in F06. This is a 9% decrease from the previous year due, in part, to vacant positions within the department. Inspections of permit functions were slightly over target with 23.2% of sale permits inspected while in progress.

Warning letters to licensees increased significantly, from 80 in F05 to 214 in F06. There were 14 meetings with the Manager, Inspection Services; 13 warnings and two suspension of privileges involving permitees and banquet hall operators. The increase in warnings was due to timelier follow up on reporting requirements.

There were 11,462 occasional permits issued in F06; a decrease of 3.1% from F05. The number of sale permits continues to drop due to a move from banquet halls to licensed establishments that offer more controlled environments, trained service staff and sales handled under a licence rather than permit.

Inspectors conducted 111 educational seminars for licensees and their staff; up from 84 seminars in the previous year. This increase is attributable to increased requests for training from licensees. In addition, approximately 609 owner/managers and approximately 3,796 server/security personnel completed the mandatory *It's Good Business* responsible service course provided through the Manitoba Tourism Education Council (MTEC).

The MLCC, along with Manitoba Justice, MTEC, and the Manitoba Hotel Association collaborated on the development of the *It's Good Business PLUS* program for security personnel. The course was developed by MTEC and three pilot courses were held in fall of 2005. The course was fine-tuned and completed by March 31, 2006. It was launched the following month during CENTREX, the hotel industry trade conference.

Licensing & Inspection implemented a risk-based inspection program in F06, which focused on higher risk establishments where the sale of liquor is the primary business. In addition to making adjustments to provide better use of resources, the department developed standardized criteria to assist inspectors in reporting breaches of The Act.

Senior management of Licensing & Inspection met with over 45 key licensees and with members of the Manitoba Hotel Association to review amendments to *The Liquor Control Act*. To further communication with the industry, three newsletters were issued highlighting legislative changes and administrative reminders.

OCCASIONAL PERMITS ISSUED

	2002	2003	2004	2005	2006
Liquor Sold	7,991	8,056	7,569	7,468	7,102
Liquor Complimentary	4,750	4,641	4,425	4,356	4,360
Total	**12,741**	**12,697**	**11,994**	**11,824**	**11,462**

NUMBER OF HOTEL REGISTRATIONS & LICENCES

Class of Licence		2002	2003	2004	2005	2006
Hotel Registration		324	323	327	322	318
Retail	Beer Vendor	298	296	297	293	288
	Brewer's Retail	3	2	1	1	1
	Sacramental Wine	3	3	3	3	2
	Winery					1
Beverage Room		279	277	276	271	267
Dining Room		1,133	1,116	1,124	1,138	1,148
Transportation		11	11	11	11	11
Cocktail Lounge		444	455	450	466	475
Cabaret		24	20	20	24	26
Spectator Activities		39	41	41	38	40
Private Club		265	266	263	263	262
Military Canteen		18	18	18	15	15
Sports Facility		150	154	156	151	152
Manufacturer's		55	35	37	37	21
Totals		**3,046**	**3,017**	**3,024**	**3,033**	**3,027**

INSPECTIONS, INVESTIGATIONS AND EDUCATIONAL SEMINARS

	2002	2003	2004	2005	2006
Licensed Premises					
Licensee visits	28,161	27,613	27,338	25,858	23,550
Investigations/ final inspection of premises	1,010	984	915	438	518
Education of licensees/ their staff	151	145	142	84	111
Total	**29,322**	**28,742**	**28,395**	**26,380**	**24,179**
Occasional Permits					
Inspections while in progress	1,658	1,695	1,707	1,576	1,664
Investigations prior to issue	1,033	1,029	1,208	1,415	1,617
Education of hall owners/ permittees/public	114	134	93	62	88
Inspection of new banquet halls	70	103	93	55	191*
Total	**2,875**	**2,961**	**3,101**	**3,108**	**3,560**
General and Public Concern Investigations	**1,296**	**1,309**	**1,162**	**1,326**	**975****

Note: Fewer inspections were conducted in F06 due to vacancies in inspector positions, and a move to risk-based inspections.

* Effective F06, includes free-standing banquet halls and those located within licensed premises.

** Effective F06, applications for Photo ID are pre-screened by licensing advisor, resulting in fewer investigations.

DISCIPLINARY ACTION

	2002	2003	2004	2005	2006
Licensees:					
Administrative					
– warning letters	100	229	121	80	214
– meetings with Manager, Inspection Services	29	30	11	19	14
Total	**129**	**259**	**132**	**99**	**228**
Board					
– disciplinary hearings	45	41	35	29	33
– appeal hearings	6	6	3	3	8
Board Action					
– warnings	10	5	7	5	4
– suspensions	36	29	26	20	26
– cancellations	2	0	3	0	2
– other	2	10	0	1	2
Total	**50**	**44**	**36**	**26**	**34**
Total days suspended	**82**	**121**	**433***	**119****	**67**

Note: Board actions may not equal number of hearings due to appeals carried forward to next fiscal year, or more than one action taken at a hearing.

Permittees/Hall Owners:					
Administrative					
– warnings	13	30	11	12	13
– suspension of privileges	4	7	4	1	2
Total	**17**	**37**	**15**	**13**	**15**

* 365 days suspended attributed to one licensee (suspension began in F03 and extended into F05).

** 85 days suspended attributed to one licensee (suspension began in F03 and terminated in F05).

Breaches of *The Liquor Control Act* can be handled administratively or through a hearing before the Licensing Board. Where there is no previous record, the inspector may handle the matter through education of the licensee and staff.

Where there is a record of operation and the breach is of a less serious nature, administration may issue a letter of warning or meet with the licensee to discuss solutions to the problem. These letters/meetings form part of the licensee's record of operation. Where there is a record of operation and the breach is of a serious nature, the matter is referred to the Licensing Board for a hearing. Appeals are heard by the Board of Commissioners.

Breaches of *The Liquor Control Act* by banquet hall operators and occasional permit holders are normally handled by administration of the Commission.

LEGISLATIVE CHANGES

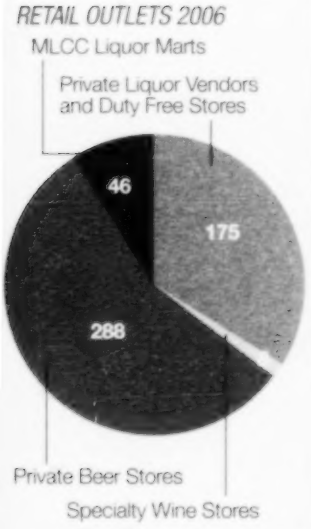
THE LIQUOR CONTROL ACT

- Bill 12, *The Liquor Control Amendment Act,* received Royal Assent and became law on June 9, 2005. Provisions of Bill 12 included:
  - the clearing time at closing in licensed premises was extended from 30 minutes to a maximum of 60 minutes;
  - a licensee may recork wine served with a full meal to a patron, and give it to the patron to take home;
  - a distiller holding a manufacturer's licence may establish a retail store at their manufacturing site;
  - the sale of grape-based specialty products may now take place in a specialty wine store;
  - staff of a liquor store, liquor vendor, specialty wine store or duty free store may sample product to customers on their premises;
  - liquor vendors may sell liquor to licensees, as well as the public, and may deliver liquor to licensed premises in their trading area; and
  - MLCC employees now have the opportunity to be employed in other segments of the liquor industry.

REGULATIONS:

- M/R 125/94, Specialty Wine Stores Regulation, was amended by M/R 74/2005 which was registered on May 24, 2005 and became law on June 4, 2005. The amending regulation adds a section to allow specialty food and wine stores to operate a temporary location at a wine festival, and repeals sections 5 and 6 (discounts on wine and annual operating fees).
- M/R 12/2002, Occasional Liquor Permits Regulation, was amended by M/R 84/2005 which was registered on June 13, 2005 and became law on June 25, 2005. The amending regulation extends the amount of time allowed for consumption of liquor after closing of the bar from 30 to 60 minutes; and adds a section requiring an occasional permit holder to ensure there is no unlawful conduct occurring at the permit function.
- M/R 200/94, Liquor Control (Miscellaneous Provisions) Regulation, was amended by M/R 85/2005 which was registered on June 13, 2005 and became law on June 25, 2005. The amending regulation adds a section to allow employees of the Commission, and operators or employees of a liquor vendor to conduct sampling within the store or vendor.
- M/R 199/94, Liquor Packaging and Delivery Regulation, was amended by M/R 86/2005 which was registered on June 13, 2005 and became law on June 25, 2006. The amending regulation requires that liquor containers be labelled in accordance with the *Food and Drugs Act* (Canada) in addition to the *Consumer Packaging and Labelling Act* (Canada); adds a section to allow a distillers' retail store to deliver spirits; and allows a liquor vendor to charge a delivery fee.
- M/R 125/94, Specialty Wine Stores Regulation, was amended by M/R 107/2005 which was registered on July 11, 2005 and became law on July 23, 2005. The amending regulation adds a definition of grape-based specialty liqueurs and grape-based specialty spirits; and adds a section to allow the sale of these products in Fenton's Wine Market at The Forks.
- M/R 176/94, Licence Application and Appeal Regulation, was amended by M/R 128/2005 which was registered on August 31, 2005 and became law on September 17, 2005. The amending regulation deletes the authorization for the MLCC to access criminal record information from a law enforcement agency; and adds the requirement for an applicant for liquor licence to secure a Criminal Record Check from a law enforcement agency to file in support of the application.
- M/R 57/95, Payment for Liquor Regulation, was amended by M/R 172/2005 which was registered on November 29, 2005 and became law on December 10, 2005. The amending regulation deletes personal cheques from the public as an acceptable form of payment for liquor.

CUSTOMER SERVICE



GOAL:

Deliver excellent service to our retail and commercial customers throughout the province.

OBJECTIVES:

1) Enhance service to public customers by continuing to elevate customer service levels to meet their increasing expectations.

2) Enhance service to commercial customers by continuing to elevate customer service levels in response to their increasing expectations.

PERFORMANCE RESULTS:

To meet changing consumer needs, the MLCC continued its move toward premium product categories. A category management review and recommendations were completed for economy spirits and wine categories.

The MLCC continued to modernize its retail stores (Liquor Marts) through its Store Development Program to meet the growing needs of customers. Projects undertaken in F06:

WINNIPEG

A new satellite Liquor Mart opened in the Southglen Shopping Centre on St. Anne's Road. The 5,000 sq. ft. store serves the expanding south St. Vital area and features an assortment of top selling products; a bright, attractive décor, and an open shopping environment.

The Northgate Liquor Mart was relocated to Garden City Square. This new 10,000 sq. ft. location features an expanded wine corner; a beer and refreshment beverage area; and an expanded selection of spirits and liqueurs. Wide aisles and bright colours provide for an attractive shopping environment for customers.

Finishing work was also completed on the River & Osborne Liquor Mart in the Osborne Village area.

BRANDON

The Liquor Mart at 10th and Victoria Avenue was relocated across the street to a new 11,000 sq. ft. free standing building. This store features a large wine corner; open beer and refreshment beverage area; and perimeter spirits and liqueurs displays. The product assortment was also dramatically expanded to serve both public and commercial customers.

The MLCC and the province's 171 liquor vendors signed extensions to their operating agreements in F06. Liquor vendors performed well this past year, realizing a 1.7% growth in sales over last year. This is attributed to improvements in product and social responsibility training, as well as improvements in selection and assortment. The MLCC uses the services of a professional shopper to shop Liquor Marts and liquor vendors to determine service levels. There were four shops conducted for liquor vendors resulting in service ratings of 85%. This is 1% above the targeted rating.

The MLCC and Liquor Marts continued to support community-based wine festivals and other events throughout Manitoba. In addition to assisting local charities, these events enhance customer product knowledge. In F06, wine festivals were held in Brandon, Dauphin, Neepawa, Portage la Prairie, Russell, Swan River, The Pas and Thompson. The Winnipeg Wine Festival continues to be the largest single fundraiser for Special Olympics Manitoba. The MLCC also participated in the second annual Flatlanders Beer Festival held in Winnipeg in support of the Manitoba Moose Yearling Foundation.

To further enhance service in rural areas, the MLCC graduated 14 rural Liquor Mart staff from the Basic Wine & Spirits course and conducted seven tasting sessions with the Brandon Wine Society. Category management was also completed in three rural Liquor Marts to enhance the assortment of products available to customers.

As a follow up to last year's commercial customer survey, the MLCC implemented initiatives to provide enhanced service to the hospitality industry. As a result, the Licensee Sales Advisor held 49 service training and product knowledge sessions with the hotel and food services industry.

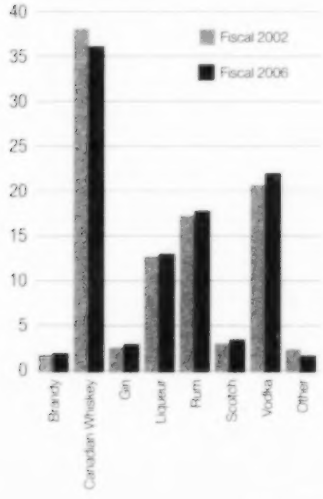
MLCC PRODUCT LISTINGS

Spirits	general list specialty list	503 253
Wine	general list specialty list	903 1084
Beer	MLCC distributed Privately Distributed	66 412
Refreshment Beverages (Coolers)	general list specialty list	66 3
TOTAL active listings as at March 31, 2006		**3290**

General list products typically represent those with high volume sales.
Specialty list products have smaller volume sales and are unique products that round out the overall corporate assortment.

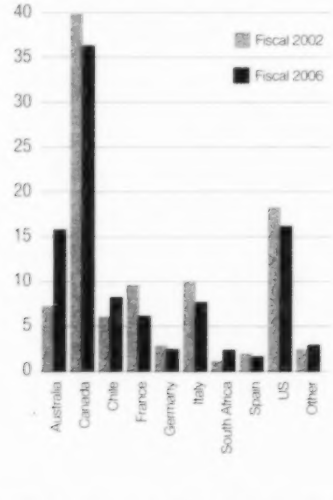
SPIRIT SALES BY TYPE

Fiscal 2002 and Fiscal 2006 (%)



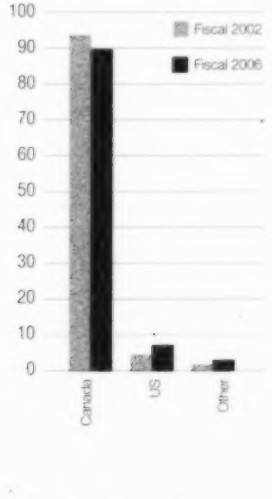
WINE SALES BY COUNTRY

Fiscal 2002 and Fiscal 2006 (%)



BEER SALES BY COUNTRY

Fiscal 2002 and Fiscal 2006 (%)



GOAL:

Move to industry best practices, working in partnership with suppliers and commercial customers.

OBJECTIVES:

1) Initiate programs, which will, over time, make the MLCC the best Canadian liquor jurisdiction.

2) Establish and promote the MLCC's corporate image with stakeholders.

3) Change or establish processes/policies to comply with legislation.

PERFORMANCE RESULTS:

The MLCC annually reviews its internal service; its productivity measures; and the cost-effectiveness of its strategies. These reviews look for efficiencies between Liquor Marts and the Distribution Centre to find the best way of handling inventories in both locations. Productivity target levels are established for the Retail and Purchasing departments and the Distribution Centre. These levels are measured quarterly throughout the year.

RETAIL (LIQUOR MARTS)

		Target	Achieved
1)	In-stock (product availability)	94%	97.6%
2)	Productivity (units/labour hours)		
	Wpg Liquor Marts	33	34.1
	Rural Liquor Marts	28	29.9
3)	Inventory turnover		
	Wpg Liquor Marts	13 turns	13.6 turns
	Rural Liquor Marts	10 turns	11.2 turns
4)	Shrinkage	0.15% of annual store sales	0.12% of annual store sales
5)	Liquor Mart general and administrative expenses as a % of store sales	9.75%	9.2%

Productivity targets were exceeded due to improved efficiencies from activity based scheduling. This provides the right complement of staff at the right time to meet customer demands. Inventory was better managed as poor sellers were eliminated from the product mix.

PURCHASING

	Target	Achieved
1) Inventory turnover	8.9 turns	8.23 turns
2) In-stock (product availability) general listings	97%	95.6%

Targets were not achieved due to the staff learning curve in adjusting to the MLCC's new integrated computer system, as well as supplier problems and transportation delays due to the 2005 Vancouver Port strike.

DISTRIBUTION CENTRE

	Target	Achieved
1) Cases per staff hour	25.25	27.16

The increase in productivity is attributed to a review and implementation of the following areas:

- improved measures for the handling of breakage and quality control samples;
- improved handling for non-liquor shipments;
- improved efficiency when replenishing product;
- setting repack customer order case minimums; and
- improved scanning response time.

INSPECTION SERVICES

Improved measures were also implemented for Inspection Services. Standardized criteria were developed for handling breaches under *The Liquor Control Act* and inspectors were provided with training in note taking and giving evidence; administrative reporting; and report writing. Key Performance Indicators were also developed to assist inspectors in dealing fairly and consistently with licensees.

DISASTER RECOVERY

The MLCC continued to refine its contingency and disaster recovery plans through testing. The test was limited to a five-day recovery period to determine what could realistically be accomplished within the time frame. The MLCC will continue to test its plan on an annual basis.

COMMUNICATION

To better communicate the value of the MLCC to Manitoba, a series of in-store posters were developed highlighting the MLCC's financial contribution to the province, as well as its commitment to social responsibility; charitable sponsorship and community event support. The posters will be displayed throughout Liquor Marts in F07.

To better serve its employees, the MLCC also began exploring the development of an Intranet site to enhance communications across the organization. Recommendations on design and implementation will occur in F07.

SUSTAINABLE DEVELOPMENT

The MLCC continued to implement initiatives under its Sustainable Development Action Plan. Notable achievements in F06 include:

- incorporating a sustainable development clause into all MLCC tenders and RFP documents;
- providing web-based training to Procurement and Administration staff for "environmentally green procurement";
- implementing new reporting methods to measure ethanol use in MLCC fleet vehicles;
- upgrading to energy efficient lighting in 40 Liquor Marts; and
- upgrading Head Office chiller unit to a more energy efficient unit.

WORKPLACE SAFETY & HEALTH

The MLCC continued its Job Hazard Analysis to identifiy safety hazards in the Distribution Centre. A number of control measures were implemented in the Warehouse, including:

- documenting all safe work procedures;
- installing a pedestrian walkway, including mirrors around blind corners and yield signs to allow safe movement of people and machinery;
- having spotters work with new employees operating high stacking forklifts until they gain proper experience;
- requiring all staff to wear protective footwear;
- posting additional safety signs to warn of potential hazards; and
- ensuring the use of splash proof goggles in the battery charging area.

A number of control measures were also implemented in the Quality Control area including:

- documenting safety procedures;
- mandatory basic safety training in Workplace Hazardous Materials Information System (WHMIS), First Aid/CPR and Backsafe;
- minimizing the exposure to ethyl alcohol by moving the fume hood;
- improving bottle crushing and testing for tartrates; and
- facility changes, such as better signage to improve safety of worker movement.

RISK MANAGEMENT

The MLCC continued to move toward implementing an enterprise-wide Risk Management Strategy. The strategy will allow managers and employees to understand how they contribute to risk management within the organization. In addition, the MLCC will explore best practices in internal control certification requirements with a view to integrating them with the strategy. The implementation of the strategy is expected over a period of a few years.

PRIVACY

A Privacy Policy was developed for the MLCC in F06 to address personal information collected and stored by the MLCC for business purposes. The MLCC updated its policy to best practices in order to meet the highest privacy standards available.

06 WORKPLACE QUALITY

GOAL:

Create a fair and equitable work environment that is challenging, diverse and inclusive.

OBJECTIVES:

1) Enhance an inclusive culture that encourages participation of all staff.
2) Ensure a well-trained staff and management workforce that has the capability to undertake new responsibilities.
3) Promote diversity in the workplace which reflects diversity in the population.
4) Promote a healthy work/life balance.
5) Maintain a modernized Information Technology and Information Systems environment that meets the needs of the organization (Head Office and Retail).
6) Evaluate MLCC facility and consider extent and timing of reinvestment requirements in the Distribution Centre and Head Office.

PERFORMANCE RESULTS:

DEVELOPING AN INCLUSIVE CULTURE

Three focus groups were held with a cross-section of employees to address new and ongoing issues resulting from the job satisfaction survey in F05. Employee feedback from these sessions led to the creation of three committees assigned to address Leadership, Communications and Activity Based Scheduling.

In keeping with its commitment to improving communication with employees, Executive Management presented the F06 Business Plan to all Winnipeg and Liquor Mart managers through a series of information meetings early in the fiscal year.

EDUCATION AND TRAINING

The MLCC continued to implement succession planning throughout F06. This process matches competencies required for senior level leadership with high potential employees. A review of the 360 degree feedback program is ongoing, while leadership training was initiated for identified employees. Opportunities for further training will be addressed in F07.

The Store Management Development Program (SMDP) continues to provide store management replacements as part of the succession planning process. The SMDP has been the MLCC's primary source of store management advancement since 1999. Of the program's 45 participants over the past six years, 38 have been permanently placed or positioned in management roles.

Over the years, the MLCC has made a considerable investment in the training of its employees. All full-time, Liquor Mart employees are required to complete a three-day Basic Wine and Spirits product training course.

In F06, there were four Basic Wine and Spirits courses held in Winnipeg and two held in rural communities. These courses resulted in 56 employees receiving their certification and a 25% increase in trained product consultants.

Approximately 20 years ago, the MLCC introduced a Higher Certificate product knowledge training course for employees wishing to increase their level of product knowledge. The effort required is the equivalent of a university level half course. In F06, two Higher Certificate courses were held with 45 graduates. Over two thirds of full-time Liquor Mart employees have now achieved this certification, including a large number of store managers.

The MLCC implemented a Performance Management System that uses a competency-based approach in developing employee potential. The system provides managers with the tools for employee goal setting, feedback and problem solving. Training in this system was completed for Head Office and Liquor Mart managers in F06.

POLICY DOCUMENTS REVIEW

The MLCC undertook a comprehensive review of its policy documents to update the language and standardize the format. The intent of the review was to make the policies more useful to and accessible by employees. All policies were converted in F06 and provided on the MLCC's web board to allow employees easy access to the information.

WORKPLACE DIVERSITY

In F06, the MLCC designed and began implementing a three-year Aboriginal Employment Strategy consisting of recruitment and retention strategies, as well as opportunities for building relationships with the Aboriginal community. Under the strategy, the MLCC:

- formed internal and external advisory groups to share information and obtain advice;
- sponsored the Gala Dinner in support of the Helen Betty Osborne Scholarship program to provide financial assistance to Aboriginal students enrolled in post-secondary studies in Manitoba;
- supported the Manitoba Aboriginal Youth Achievement Awards honouring young Aboriginal men and women who exhibit high standards of excellence, dedication and leadership;
- developed an Aboriginal Internship Program designed to assist post-secondary graduates in gaining meaningful work experience in their field of study;
- participated in the Youth Transition Program, in partnership with the provincial government — MB4 Youth, to provide recent high school graduates meaningful work experience and a bursary; and
- re-surveyed current employees to provide the MLCC with statistical information on employment equity within the workforce.

EMPLOYEE WELLNESS

The MLCC implemented an employee Wellness Program in F06. The program includes a wellness tips newsletter as well as a fitness membership allowance to encourage employees to become physically active and experience the benefits of an active lifestyle. The MLCC also continued to monitor employee workload to ensure it remains reasonable and fair.

INFORMATION TECHNOLOGY INITIATIVES

The MLCC continued to review and revise department processes following the final implementation of the LINK project in F05. The five-year project saw the integration of approximately 20 outdated computer systems into one system – JDEdwards. A Sustainment Plan was implemented to continue to realize the ongoing benefits of LINK; to provide support for end-users of the system; and to manage system operations, vendor relationships and system improvements. An Implementation Plan was also developed to deal with items that were not included in the original scope of LINK. Ongoing training was provided to allow staff working with the new system to realize its full potential.

In F06, the MLCC upgraded its software to a more current version. Remote access was also provided to liquor inspectors to allow them system access while working in the field.

A business case was completed for replacement of the MLCC's point of sale and cash register system. A project team was formed and a project name was chosen: *CHEERS – Connecting Head Office Enterprise Efficiencies with Retail Stores.* The project team will select and deliver new technology and business solutions to meet the current and future needs of the organization. These solutions include a new store point of sale system (software and hardware); sales audit software; merchandising assortment/replenishment software and a retail data warehouse. The project is expected to take three to four years to complete.

DISTRIBUTION CENTRE EXPANSION

A consultant was hired in F06 to assist the MLCC in determining the best solution to meet the growing demands of its retail stores and commercial customers. As a result, the MLCC's Board of Commissioners approved the expansion of the Distribution Centre by 33,000 sq. ft. Construction for the expansion will commence in F07. A facility review of Head Office space was also conducted and new office space was identified for the Distribution Centre expansion. A recommendation to expand Head Office space will be presented to the Board in F07.

MANAGEMENT REPORT

March 31, 2006

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

Don Lussier
President & CEO

Ingrid Loewen
Chief Financial Officer

AUDITORS' REPORT

March 31, 2006

To the Board of Commissioners
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2006 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst • Young LLP

Chartered Accountants

Winnipeg, Canada
May 12, 2006

STATEMENT OF INCOME [000'S]

Year ended March 31

	2006 $	2005 $
Sales *[schedule]*	**486,734**	472,134
Cost of sales *[schedule]*	**243,208**	242,292
Gross profit	**243,526**	229,842
Other income *[note 4]*	**5,439**	4,586
	248,965	234,428
General and administrative expenses *[note 5]*	**50,279**	46,706
Operating profit before depreciation	**198,686**	187,722
Depreciation *[note 2]*	**2,448**	2,449
Net profit paid or payable to the Province of Manitoba	**196,238**	185,273

See accompanying notes to the financial statements

BALANCE SHEET [000'S]

As at March 31

	2006 $	2005 $
ASSETS		
Current		
Cash and cash equivalents	**7,177**	8,523
Accounts receivable — claims and other	**18,415**	11,411
Inventory *[note 3]*	**23,825**	21,118
Prepaid expenses and supplies	**907**	908
Total current assets	**50,324**	41,960
Fixed assets *[note 6]*	**12,616**	11,679
Long-term loan receivable — Province of Manitoba *[notes 7 and 8]*	**45,271**	45,271
	108,211	98,910
LIABILITIES		
Current		
Accounts payable — trade and other	**31,395**	23,840
Goods and Services Tax payable	**1,308**	1,286
Manitoba Retail Sales Tax payable	**1,192**	1,096
Net profit payable to the Province of Manitoba	**22,438**	18,187
Environmental Protection Tax payable	**129**	125
Deferred licence fees	**606**	547
Demand non-interest bearing working capital advance provided by the Province of Manitoba *[note 9]*	**—**	4,500
Total current liabilities	**57,068**	49,581
Provision for employee pension benefits *[note 7]*	**47,025**	45,044
Provision for retirement allowances *[note 8]*	**4,118**	4,285
	108,211	98,910

See accompanying notes to the financial statements

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

STATEMENT OF CASH FLOWS [000's]

Year ended March 31

	2006 $	2005 $
OPERATING ACTIVITIES		
Cash receipts		
Sales — spirits, wine, coolers/ciders and beer	**479,380**	472,296
Annual and supplementary licence fees and other	**5,516**	4,449
Goods and Services Tax	**34,616**	33,678
Manitoba Retail Sales Tax	**15,839**	14,939
Manitoba WRAP Tax	**450**	438
Environmental Protection Tax	**1,796**	2,164
	537,597	527,964
Cash disbursements		
Purchases — merchandise, federal duty, excise and sales taxes, etc.	**238,261**	239,705
General and administrative expenses	**52,719**	44,561
Goods and Services Tax	**34,594**	33,507
Manitoba Retail Sales Tax	**15,743**	14,840
Manitoba WRAP Tax	**449**	437
Environmental Protection Tax	**1,792**	2,160
	343,558	335,210
Net cash available from operating activities	**194,039**	192,754
INVESTING ACTIVITIES		
Acquisition of fixed assets	**(3,398)**	(2,840)
Net cash available for transfer	**190,641**	189,914
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**173,800**	167,085
Prior year's net profit	**18,187**	18,166
	191,987	185,251
Excess (deficiency) of cash receipts over disbursements and transfers	**(1,346)**	4,663
Cash and cash equivalents, beginning of year	**8,523**	3,860
Cash and cash equivalents, end of year	**7,177**	8,523

See accompanying notes to the financial statements

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT [000'S]

Year ended March 31

	Spirits $	Wine $	Ciders/ Coolers $	Beer $	Total $
SALES					
Stores	**121,439**	**64,143**	**9,832**	**30,749**	**226,163**
Liquor vendors	**30,042**	**7,502**	**3,278**	**4,459**	**45,281**
Licensees	**18,138**	**4,450**	**2,197**	**179,668**	**204,453**
Specialty wine stores	**78**	**10,722**	**37**	**—**	**10,837**
Total sales for 2006	**169,697**	**86,817**	**15,344**	**214,876**	**486,734**
Total sales for 2005	163,711	77,844	15,675	214,904	472,134
COST OF SALES					
Total cost of sales for 2006	**66,646**	**39,463**	**7,224**	**129,875**	**243,208**
Total cost of sales for 2005	64,323	36,276	7,242	134,451	242,292
Gross profit for 2006	**103,051**	**47,354**	**8,120**	**85,001**	**243,526**
Gross profit for 2005	99,388	41,568	8,433	80,453	229,842
Gross profit as a percentage of sales for 2006	**60.7%**	**54.5%**	**52.9%**	**39.6%**	**50.0%**
Gross profit as a percentage of sales for 2005	60.7%	53.4%	53.8%	37.4%	48.7%

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS [000's]

March 31, 2006

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "Commission"] was formed in 1923 as an agency of the Government of Manitoba under the Government *Liquor Control Act*. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Accounts receivable – claims and other includes electronic fund transactions to be forwarded to banks after March 31.

[c] Inventories of goods for resale are valued at cost.

[d] Revenue from sales is recognized upon shipment of the product.

[e] The fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

[f] Substantially all of the employees of the Liquor Control Commission are eligible for pension benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 7.

Actuarial gains and losses are recognized in income immediately as detailed in note 7.

[g] The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, long-term loan receivable – Province of Manitoba, net profit payable to the Province of Manitoba, accounts payable, other taxes payable and non-interest bearing working capital advance provided by the Province of Manitoba. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

[h] In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. INVENTORY

	2006	2005
Warehouse inventory	$ 15,768	14,099
Stores inventory	8,057	7,019
	$ 23,825	21,118

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,293 at March 31, 2006 [2005 - $3,641].

4. OTHER INCOME

	2006	2005
Miscellaneous	$ 1,885	$ 846
Supplementary licence fees	743	684
Annual licence fees and licence application fees	598	608
Occasional permits additional fees	579	621
AIR MILES® revenue	578	293
Advertising revenue – other	505	986
Occasional permits	243	251
Administration charges	206	188
Border point fees	79	61
Specialty wine store fees	23	48
	$ 5,439	$ 4,586

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005
Salaries, benefits and pension costs	$ 30,850	$ 29,422
Leased premises – rentals *[note 10]*	5,086	4,772
Maintenance and repairs	2,271	1,491
Delivery charges	1,376	1,215
Utilities	1,262	1,198
Bank charges	1,216	1,179
Equipment rentals *[note 10]*	1,121	936
AIR MILES® program	867	911
Printing, postage and supplies	759	755
Sponsorships	663	448
Professional fees	603	738
Grants in lieu of taxes	603	580
Alcohol education	536	434
Health and Post Secondary Education Tax levy	511	483
Miscellaneous	504	451
Protective services	472	404
Staff training	439	248
Advertising and promotions	386	350
Travel	269	238
Vehicle expenses	192	182
Communications	138	136
Crown Corporations Council levy	82	54
Product analysis	73	81
	$ 50,279	$ 46,706

6. ACCUMULATED DEPRECIATION/FIXED ASSETS

	2006		
	Cost $	Accumulated depreciation $	Net book value $
Leasehold improvements	**9,426**	**2,891**	**6,535**
Systems development	**9,076**	**6,036**	**3,040**
Equipment and furnishings	**6,084**	**3,536**	**2,548**
Automobiles	**589**	**296**	**293**
Paving	**300**	**100**	**200**
	25,475	**12,859**	**12,616**

	2005		
	Cost $	Accumulated depreciation $	Net book value $
Leasehold improvements	7,682	2,254	5,428
Systems development	8,348	4,908	3,440
Equipment and furnishings	5,347	2,991	2,356
Automobiles	609	279	330
Paving	212	87	125
	22,198	10,519	11,679

7. PROVISION FOR EMPLOYEE PENSION BENEFITS

The Commission maintains a defined benefit pension plan in accordance with the provision of the *Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2004. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2006 using a formula provided by the actuary.

	2006 $	2005 $
Balance, beginning of year	**45,044**	42,917
Actual gain based on 2004 actuarial report	**(150)**	—
Benefits accrued	**1,341**	1,292
Interest accrued on benefits	**3,140**	3,102
Benefits paid	**(2,276)**	(2,240)
Manitoba Finance matching pension contributions	**(74)**	(27)
Balance, end of year	**47,025**	45,044
Pension expense	**4,481**	4,394
Employee contributions	**1,240**	1,180
Employer contributions	**2,350**	2,267

The pension expense consists of benefits accrued of $1,341 [2005 - $1,292] and interest accrued on benefits of $3,140 [2005 - $3,102].

The key actuarial assumptions used in determining the Commission's provision for employee pension benefits were at the following weighted average rates:

	As at March 31	
	2006	**2005**
	%	**%**
Rate of return	**6.50**	6.75
Inflation	**2.50**	2.75
Salary rate increases	**4.25**	4.50

In addition, post retirement indexing is at two-thirds of the inflation rate.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, is included as part of long-term loan receivable – Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

8. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the Commission commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay, to a maximum of 25 weeks, for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is based on a method of calculation set by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 is included as part of the long-term loan receivable — Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

9. WORKING CAPITAL ADVANCE

In accordance with an Order in Council obtained from the Province of Manitoba, the working capital advance was called on March 31, 2005. The working capital advance was repaid to the Province in April 2005.

10. LONG-TERM LEASES

[a] The Commission leases its Head Office and nine other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

[b] The Commission leases another 39 buildings. Leases have expiry dates ranging from 2005 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	**$**
2007	3,785
2008	3,824
2009	3,744
2010	3,430
2011	2,867
Thereafter	14,609
	32,259

[c] The Commission leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2005 to 2010.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	**$**
2007	928
2008	445
2009	305
2010	74
	1,752

LIQUOR MARTS

The MLCC's 46 Liquor Marts operate in the following areas:

Beausejour
619 Park Avenue

Brandon
10th & Victoria Avenue
Brandon Shoppers Mall

Carman
3 Centre Avenue West

Churchill
203 Laverendrye Avenue

Dauphin
130 First Avenue North West

Flin Flon
26 Hapnot Street

Gimli
52 Centre Street

Killarney
516 Broadway Avenue

Lac du Bonnet
76-2nd Avenue West

Minnedosa
16-2nd Avenue North West

Morden
331 North Railway Street

Neepawa
393 Mountain Avenue

Pine Falls
17 Pine Street

Portage la Prairie
300 Saskatchewan Avenue

Roblin
126 Main Street North West

Russell
202 Shell River Avenue North

Selkirk
446 Main Street

Swan River
716 Main Street

The Pas
333 Edwards Avenue

Thompson
131 Selkirk Avenue

Virden
197 Third Avenue

Winnipeg

Charleswood
1D-3900 Grant Avenue

cityplace
333 St. Mary Avenue

Crestview Shopping Centre
170-3393 Portage Avenue

Dominion Shopping Centre
21 Marion Street

Eastwinds Shopping Centre
23-1530 Regent Avenue

Fort Garry
1235 Pembina Highway

Fort Richmond
2855 Pembina Highway

Garden City Square
Unit 2-915 Leila Avenue

Grant Park Plaza Shopping Centre
1120 Grant Avenue

Hargrave & Ellice
325 Ellice Avenue

Kenaston Crossing
8-1650 Kenaston Boulevard

Madison Square
P-1600 Ness Avenue

Main & Jefferson
1662 Main Street

Main & Pritchard
1005 Main Street

Northdale Shopping Centre
965A Henderson Highway

Portage & Ainslie
2549 Portage Avenue

Portage & Burnell
923 Portage Avenue

River & Osborne
469 River Avenue

St. Vital Square
5-827 Dakota Street

Southdale Shopping Centre
21-67 Vermillion

Southglen
Unit A-730 St. Anne's Road.

Transcona Square
1-620 Kildare Avenue E.

Tuxedo
168-2025 Corydon Avenue

Tyndall Market Mall
850 Keewatin Street

LIQUOR VENDORS

Liquor vendors are partners with the MLCC. By combining liquor sales with their existing business, these local entrepreneurs help to ensure their viability. There are currently 171 liquor vendors operating in Manitoba.

Alexander
Stahl's Food Mart

Alonsa
Fashoway Café & Confectionery

Altona
Altona Cleaners Ltd.

Anola
Anola Lucky Dollar

Arborg
Arborg Pharmacy

Argyle
Meridian Trail General Store

Ashern
Ashern Pharmacy

Austin
J & J Grocery

Baldur
Baldur Variety Store

Belmont
Belmont Hardware

Benito
Benito Pharmasave

Birch River
Birchwood Convenience

Bird River
Tall Timber Lodge

Birds Hill
Birds Hill Store

Birtle
Birtle Pharmacy

Bissett
Bissett Variety

Boissevain
Hazlewood Enterprises

Bruxelles
Marginet's Grocery & Hardware

Camperville
McKay Grocery

CFB Shilo
Bx Shopping Centre

Carberry
Spud City Food Mart Ltd.

Cartwright
Cartwright Health Centre

Clandeboye
Clandeboye Store

Clearwater Lake
Wally's Place

Cowan
Kolisnyk's General Store

Cranberry Portage
Streamer Hardware

Cypress River
Cypress River Lucky Dollar

Deloraine
Myrna's Fabric Boutique

Dominion City
Dominion City Food Town

Dugald
Dugald Convenience Store

Elgin
West Elgin Mall

Elie
Elie Grocery Store

Elkhorn
Twin Valley Co-op Ltd.

Elm Creek
Elm Creek Co-operative Oil & Supplies Ltd.

Elma
Elma Country Store

Emerson
Emerson Bigway

Erickson
Mountain Park Pharmacy

Eriksdale
Eriksdale Shop Easy

Ethelbert
Bird's Corner Store

Falcon Lake
Lumber One Building Supplies

Fisher Branch
Fisher Branch Health Centre

Fraserwood
J & J Store

Garson
Garson Grocery Ltd.

Gilbert Plains
Gilbert Plains Pharmacy

Gillam
Trappers Shack

Gladstone
Gladstone Pharmacy

Glenboro
Glenboro Pharmacy Ltd.

Glenella
Preisentanz's General Store

Glenora
Glenora Mall

Grand Marais
Grand Marais Village Store

Grand Rapids
Grand Rapids Esso

Grandview
Grandview Home Hardware

Great Falls
Great Falls Foods

Grindstone
Grindstone General Store

Gull Lake
Sherwood Grocery

Gypsumville
Rawluk's Grocery & Pro Hardware

Hadashville
Kiedyk's Convenience Store

Hamiota
Rawlings Home Hardware

Hartney
Hartney Variety Store

Hecla
Hecla Island General Store

Hodgson
Buckskin Trading Post

Holland
Holland Home Hardware

Ile des Chenes
Ile des Chenes Country Store

Inglis
Jordie's Food Mart

Inwood
Inwood Food Town

Kelwood
Kelwood Store

Kenton
Houston's

Komarno
Komarno Quality Store

La Broquerie
Le Bon Ami

La Salle
Jeni's Food & Hardware

Lake of the Prairies
Kilman Resort

Lake Metigoshe
Turtle Mountain All Season Resort

Langruth
Farncombe's Food Centre

Leaf Rapids
Kings Health & Variety

Letellier
Gallant's Lucky Dollar

Lockport
Lockport Grocery

Lorette
Chez Heather Shop

Lundar
Lundar Pharmacy Ltd.

Lynn Lake
Clarke's Pharmacy

MacGregor
MacGregor Lo-Cost (2004)

Mafeking
Doan's General Store

Manitou
Manitou Pharmacy

Mariapolis
Pouteau Foods

McAuley
McAuley Country Grocery Co-op Ltd.

McCreary
Reischek's Pharmacy

Melita
Liquid World

Miami
Westaway's Pharmacy

Miniota
Miniota C-Store

Minitonas
Nemetchek Enterprises 1992

Minto
Community Market

Moosehorn
Moosehorn Consumers Co-op Ltd.

Morris
Morris Super Variety

Narrows
The Narrows General Store

Newdale
Strathclair Co-Op (Newdale Branch)

Ninette
The Grocery Box

Niverville
Niverville Bigway Foods

Notre Dame
Notre Dame Shopping Centre

Nutimik Lake
Nutimik Lodge

Oak Lake
Valleyview Oak Lake Co-op

Oakbank
Family Fare

Oakburn
Oakburn Foodtown

Oakville
Oakville Super Market

Onanole
B & D Hardware Inc.

Pierson
Edward Consumers Co-Operative Ltd.

Pilot Mound
Dobson's Foods Ltd.

Pinawa
The North West Company Ltd.

Pine River
Semeniuk's Groceteria

Pipestone
Pipestone Main Street Market

Plum Coulee
Tri-Coulee Investments

Plumas
Plumas Stop & Shop

Pointe du Bois
Pam's Place

Poplarfield
King Buck Inn
Poplarfield Groceteria

Rapid City
Waldon Insurance Agencies Ltd.

Rathwell
Rathwell Solo & Hardware

Rennie
Rennie General Store

Reston
Reston Drugs

Richer
Burnells Food Plus

Ridgeville
Ridgeville Cooperative Community Club

Rivers
Rivers Super Thrifty Drug Mart Ltd.

Riverton
The Other Place

Roland
Roland General Store

Rorketon
Bonnett Insurance Agencies

Rossburn
L.P.K. Enterprises

St. Adolphe
St. Adolphe Esso

St. Ambroise
Ducharme's General Store

St. Claude
Philippot's Shop Easy Foods

St. Eustache
Magasin Beaudin Store

St. Francois Xavier
S.F.X. Country Store

St. Jean Baptiste
St. Jean Home Centre

St. Laurent
Depanneur Entre-Lacs

St. Lazare
Chez Denis

St. Malo
St. Malo Co-operative Ltd.

St. Pierre-Jolys
St. Pierre IGA

Ste. Agathe
De Panneur Cheyenne Convenience Store

Ste. Anne
Ste. Anne Sundries

Ste. Rose du Lac
Ste. Rose Variety Shop (2001)

Sandy Lake
Sandy Lake Hardware

Sanford
Sanford Lumber & Building Supply

Sarto
Sarto General Store

Seven Sisters
East-Man Appliance Sales & Service

Shoal Lake
Shoal Lake Pharmacy

Sifton
Boguski Grocery

Snow Lake
Cornerview Enterprises Ltd.

Somerset
Somerset Lucky Dollar

Souris
Souris Valley Foods

Sprague
Carl's Solo Store

Springfield
Garven Grocery Store

Starbuck
"Dawn 'Til Dusk" Convenience Store

Stonewall
Stonewall Pharmacy Ltd.

Stony Mountain
Pick 'n Play

Strathclair
Strathclair Consumers Co-op Ltd.

Swan Lake
B & B Store

Teulon
Teulon Pharmacy

Tolstoi
Tolstoi Super Mart

Traverse Bay
Traverse Bay Corner Store

Treherne
Treherne Pharmacy

Vassar
Vassar General Store

Vita
Sumthing Special Florist & Gift Shop

Wabowden
Dwyer's General Store

Wanless
WE STE General Store

Warren
Pete's General Store

Waskada
Wilbro Enterprises Inc.

Waterhen
Waterhen General Store

Wawanesa
Gullett Pro Hardware

West Hawk Lake
West Hawk Lake Resort

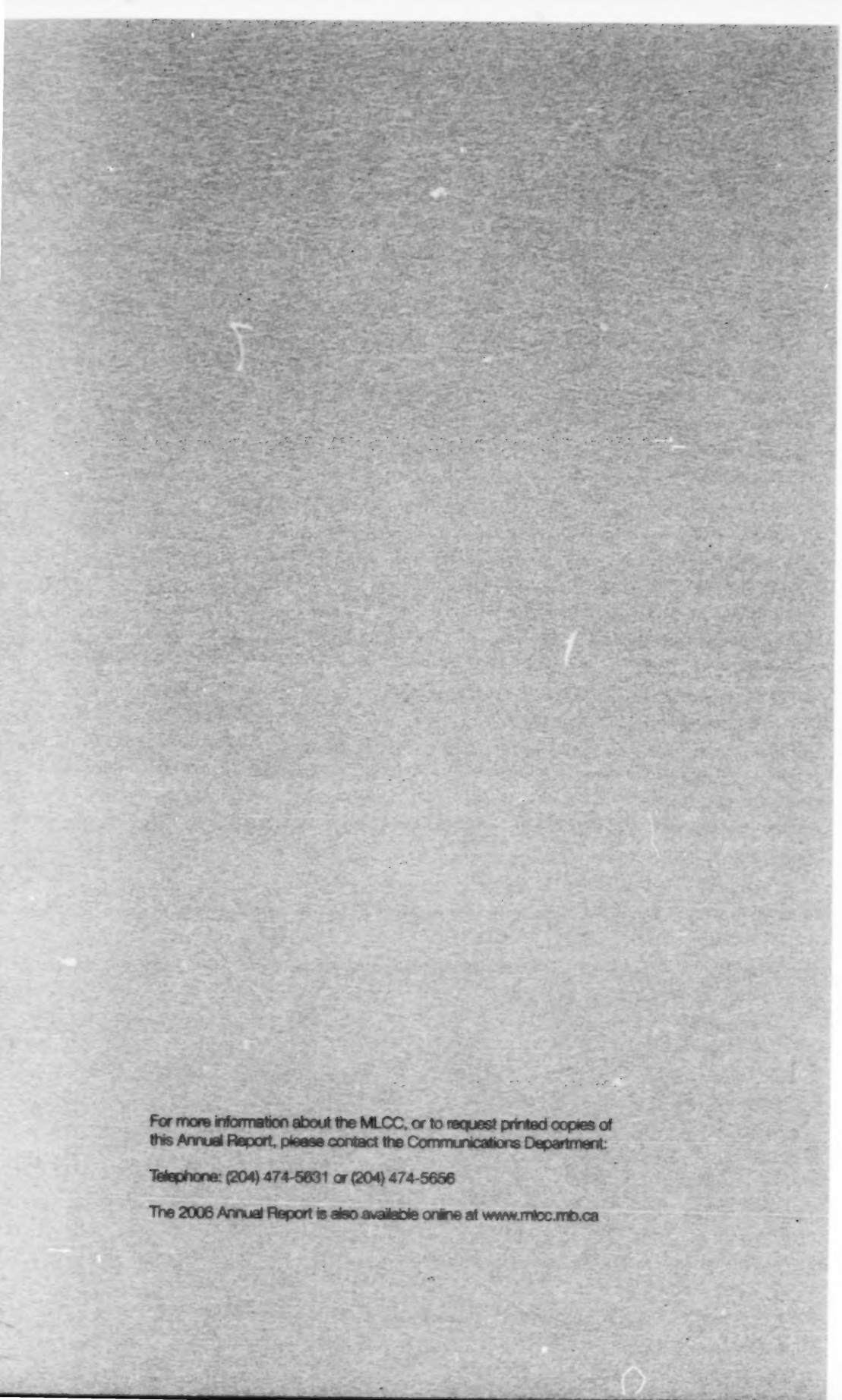
Whitemouth
Whitemouth Sundries

Winnipeg Beach
Beach Convenience

Winnipegosis
Winnipegosis Meat Market

Woodlands
Studler's General Store

Woodridge
Woodridge General Store



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